



1903.

ELEVENTH

ANNUAL REPORT

OF THE

GENERAL ELECTRIC COMPANY.

JANUARY 31, 1903.

GENERAL ELECTRIC COMPANY

SCHENECTADY, N. Y., April 20, 1903.

TO THE STOCKHOLDERS :

You are hereby notified that the Annual Meeting of the Stockholders of the General Electric Company will be held at the Company's Office, in Schenectady, N. Y., on Tuesday, May 12, 1903, at 12 o'clock, noon, for the following purposes :—

1. To elect Directors for the ensuing year.
2. To transact such other business as may properly come before the meeting.

If you are unable to be present, please sign and return the enclosed proxy.

The transfer books of the Company, closed at 12 o'clock, noon, April 18, instant, will be reopened at 10 o'clock, A. M., on Wednesday, May 13, 1903.

Yours respectfully,

M. F. WESTOVER,

Secretary.

BOARD OF DIRECTORS.

GORDON ABBOTT,
OLIVER AMES,
C. A. COFFIN,
T. JEFFERSON COOLIDGE, JR.,
FREDERICK P. FISH,
GEORGE P. GARDNER,
EUGENE GRIFFIN,
HENRY L. HIGGINSON,
J. PIERPONT MORGAN,
J. P. ORD,
ROBERT TREAT PAINE, 2D,
GEORGE FOSTER PEABODY,
CHARLES STEELE.

OFFICERS AND DEPARTMENTS.

C. A. COFFIN, *President.*

EUGENE GRIFFIN, *First Vice President,*

E. W. RICE, JR., *Third " "*

HINS DILL PARSONS, *Fourth " "*

M. F. WESTOVER, *Secretary.*

HENRY W. DARLING, *Treasurer and Assistant Secretary,*

ANSON W. BURCHARD, *Comptroller.*

I. S. KEELER, *Second Assistant Secretary,*

H. P. SCHUYLER, *Assistant Treasurer,*

EDWARD CLARK, *General Auditor.*

} Schenectady, N. Y.

SALES DEPARTMENT.

(In charge of First Vice President.)

W. J. CLARK, *Manager Foreign Department,*
(Temporarily attached to British Thomson-Houston Co.)

J. R. MCKEE, *Manager Power and Mining Department,*

J. R. LOVEJOY, " *Lighting, Railway and*
Supply Departments.

} Schenectady, N. Y.

TREASURY, ACCOUNTING, COLLECTION AND CREDIT DEPARTMENTS.

HENRY W. DARLING, *Collections,*

H. P. SCHUYLER, *Credits.*

EDWARD CLARK, *Accounting,*

} Schenectady, N. Y.

MANUFACTURING AND ENGINEERING DEPARTMENTS.

(In charge of Third Vice President.)

G. E. EMMONS, *Manager Schenectady Works,* Schenectady, N. Y.

W. C. FISH, " *Lynn* " *Lynn, Mass.*

GEO. F. MORRISON, " *Harrison* " *Harrison, N. J.*

LAW AND PATENT DEPARTMENTS.

HINS DILL PARSONS, *Counsel,*

ALBERT G. DAVIS, " "

CHAS. NEAVE, " "

} Schenectady, N. Y.
New York.

SCHENECTADY, N. Y., April 5, 1903.

To the Stockholders of the

General Electric Company :

The profits of your Company for the past year, (including a profit of \$973,649.74 upon securities sold) after deducting all general and miscellaneous expenses, and allowances for depreciation, losses and writing off \$386,875.93 from Patent Account, and \$1,908,324.11 from Factory Plants and Machinery, were

Less Interest on Debentures.. .. 44,331.17

\$10,232,837.99

Further deductions from Patent Account for expenditures incurred chiefly in acquiring the patents of the Sprague Electric Co.....

1,613,879.82

\$8,618,958.17

The amount of surplus at the end of last fiscal year was.....

15,287,140.65

\$23,906,098.82

Paid in dividends during the year.....

2,677,263.50

\$21,228,835.32

Stock issued in restoring percentage of reduction made in 1898.....

16,746,133.33

Surplus January 31, 1903.....

\$4,482,701.99

The amounts written off Factory Plant and Patent Accounts exceed the amounts written off those accounts last year by about two million five hundred thousand dollars (\$2,500,000).

Details of the business in the Selling and Manufacturing Departments may be found in the reports of the First and Third Vice Presidents.

The Financial Report of the Treasurer and General Auditor is also submitted.

The present condition of the business of the Company is satisfactory, and indicates a considerable increase in volume for the current year over that of last, largely due to the admirable work of those in charge of the Engineering, Manufacturing and Selling Departments.

Your attention is invited to the certificate of Public Accountants hereto attached.

By order of the Board,

C. A. COFFIN,

President.

First Vice President's Report.

April 1, 1903.

C. A. Coffin, Esq., President,
General Electric Company.

SIR :

I submit the following report upon the operations of the Sales Department for the fiscal year ending January 31, 1903.

SALES AND ORDERS.

The total sales (amount billed to customers) during the past year were \$36,685,598.

The yearly orders and sales for the past five years are as follows :

Year Ending Jan. 31.	Amount Billed.	Orders Received.	Yearly Increase. of Orders Received
1899	\$15,679,430	\$17,431,327	21.8%
1900	22,379,463	26,323,626	51.1%
1901	28,783,275	27,969,541	6.3%
1902	32,338,036	34,350,840	22.7%
1903	36,685,598	39,944,454	16.4%

Since February 1st, 1900, the reported orders received have not included the items of services of experts and labor, freight and transportation, supply material, boilers, engines, etc., of outside manufacture and bare copper wire, which items were included prior to 1900. These items amounted to \$1,558,371 during the past year. Including these items the total orders received for 1902 aggregate \$41,502,825.

The orders received included:

Generators and Rotary Converters, capacity over 590,000 kilowatts.

Railway Motors, more than 11,000, capacity over 490,000 H.P.

Transformers, capacity over 475,000 kilowatts.

Stationary Motors, more than 16,000.

Arc Lamps, more than 80,000.

In addition to the growth of the railway, lighting, power and supply business, there has been a marked increase during the year in special electric work, such as:

The substitution of the electric for the mechanical drive in cotton mills.

The application of electric motors for driving individual machines in mills, factories, machine shops, etc.

The use of electricity in mining operations for haulage, pumping, hoisting, drilling, etc.

The use of motors on war ships and merchant steamers, replacing steam and hydraulic auxiliaries.

The utilization of water powers for the generation of electrical energy.

The use of motors for electric automobiles.

The use of electric pumps for water supply, sewage, etc.

The use of electric hoists for dock and ship work and in mills, factories, storage warehouses, etc.

And a vast number of motor applications, such as were enumerated in my last report.

During the year we have delivered most of the motors and control equipments ordered by the Manhattan Elevated Railway of New York City. The electrical equipment of that road is now very nearly completed. Its electrical operation has been a complete success with the exception of a few days in December 1902, when a sleet storm was encountered for which the road was unprepared. The equipment had not progressed sufficiently to include proper facilities for coping with sleet. This was the cause of such difficulties as were encountered, and no blame was attached to the motors or control. During the two days of the storm the road carried 1,105,296 passengers as against 1,059,167 passengers carried during the two corresponding days of the previous year. This fact is sufficient refutation of the exaggerated reports indicating that the Manhattan Railway was out of service for a considerable portion of these two days.

NEW YORK SUBWAY.

After months of investigation, competitive tests and trials, in which the superiority of our control system was conclusively proven, the Interborough Rapid Transit Co., awarded to the General Electric Company, the contract for all of the control equipments of its cars.

MULTIPLE UNIT CONTROL.

The demands of modern transportation in the matter of schedule speeds, power required and flexibility of movement have resulted in the development of a new method of control known as the "multiple unit" system, in which two or more of the cars in a train are each equipped with motors and controllers, and, in addition, with master switches and controlling lines, so that they may be operated either individually or in train combinations of any required length, with or without other cars which are not equipped with motors, and all may be controlled by the master controller on any car. This system is in direct contrast with the locomotive system, where all of the power is concentrated in the locomotive. The multiple unit control is the most important recent development in electric traction work, making possible the use of electric motors in urban rapid transit and standard steam railroad service in such manner as to secure rapid acceleration and quick service which results can not be obtained with a locomotive.

By the purchase of the Sprague patents we have come into possession of the only fundamental and detailed patents, outside of those already owned by our Company, covering a successful and satisfactory form of multiple unit control. This system, now known as the Sprague-General Electric System, is in successful operation on many roads. The following is a list of roads which have been equipped with or have contracted for this system of control:

NAME.	LOCATION.	NO. OF CARS.
Manhattan Ry. Co.....	New York City.....	900
Aurora, Elgin & Chicago Ry.....	Chicago, Ill.	38
Houghton County Ry. Co.....	Houghton, Mich.	8
Boston & Maine Ry. Co.	(Concord & Manchester Div.) N.H.	12
Chicago, Burlington & Quincy Ry..	(Deadwood & L. C. Div.)..	3
Canton & Akron Ry.....	Canton, Ohio.....	10
Columbus, Buckeye L. & Newark Ry..	Columbus, Ohio.....	9
Columbus, Delaware & Marion Ry...	Columbus, Ohio.....	14
Columbus, London & Springfield Ry.	Columbus, Ohio.....	11
Detroit & Chicago Ry.....	Detroit, Mich.....	10
Denver & Northwestern Ry..	Denver, Colo.....	5
International Railway.....	Buffalo, N. Y.....	36
Central London Ry.....	London, England..	64
Great Northern & City Ry.....	London, England...	35
Chemin de Fer de L'Ouest, France...	France.....	2
Mediterranean Ry. Co.....	(Gallarate Div.)..	2
Lake Shore Electric Ry.....	Toledo, Ohio.....	28
Northwestern Elevated Ry..	Chicago, Ill.....	67
Seattle & Tacoma Interurban Ry...	Seattle, Wash.....	10
Fonda, Johnstown & Gloversville Ry..	Gloversville, N. Y.....	8
Schenectady Ry. Co.....	Schenectady, N. Y.	22
Athens & Piraeus Ry.....	Greece.....	1
Prussian Government Ry.....	(Anhalt Suburban Div.).....	19
Interborough Rapid Transit Co.....	New York.....	340
Boston & Worcester Elec. Ry.....	Worcester, Mass.	36
Milwaukee Elec. Ry. Co.....	Milwaukee, Wis.	25
Baltimore & Ohio R.R. Co.....	Baltimore, Md.....	4
So. Side Elev. Ry. Co.....	Chicago, Ill.....	150
Boston Elev. Ry. Co.....	Boston, Mass.....	156
Wilkesbarre & Hazleton Ry ..	Wilkesbarre, Pa.....	6
North Eastern Railway.....	England.....	50
Total number of roads.....		31
Total number of cars.....		2081

RAILWAY MOTORS.

My report of June 28th, 1897, states: "Since the organization of the Company in 1892, we have sold 30,912 railway motors, having a total capacity of 795,120 H.P."

Since that date we have sold 54,344 motors, having a total capacity of 2,304,986 H.P. The grand total of railway motor sales in the past eleven years is 85,256 motors, having a total capacity of 3,100,106 H.P.

These motors are in operation in all parts of the world.

WATER-POWER DEVELOPMENT.

The growth of water-power enterprises is shown by the fact that 221 plants are now in operation, which plants have been equipped with 428,269 H.P. in General Electric generators. There are also now in operation 24 plants equipped with 41,820

H.P. in General Electric generators, which plants are operated partly by steam and partly by water-power. While the great majority of these plants are located in the United States there are many located in all quarters of the globe.

CURRENT ORDERS.

We received about one hundred and sixty-two thousand separate orders during the year (not including contracts), an average of 541 per day.

ORGANIZATION.

There has been no important change in the organization of the Sales Department during the year. The rapid growth of the business has greatly increased the burdens and responsibilities of our Managers and Salesmen, but we have been able to meet these conditions without too great an increase in our selling force. The selling organization is in good condition. The spirit of the men is excellent and their energy and thorough loyalty to the interests of the Company deserve the highest commendation.

Respectfully submitted,

EUGENE GRIFFIN,

First Vice President.

Third Vice President's Report.

SCHENECTADY, N. Y., April 1, 1903.

C. A. Coffin, Esq., President,
General Electric Company.

SIR:

I submit herewith report on manufacturing and engineering for the fiscal year ending January 31, 1903.

MANUFACTURING.

Expenditures aggregating about \$2,500,000, exclusive of the cost of patterns, small tools, etc., have been made during the year for real estate, extensions to existing buildings and the erection of new ones, and for additional machinery; all required to take care of the increased business.

The following table shows approximately the increase in floor space and in the number of employes during the past five years:

	Factory Floor Space in Square Feet.	Factory Employees.
1899	1,800,000	8,000
1900	2,000,000	11,000
1901	2,300,000	12,000
1902	2,500,000	15,000
1903	3,000,000	18,000

SCHENECTADY WORKS.

At Schenectady, the building for the manufacture of wire and cable and insulating materials, of 180,000 square feet, the building for the manufacture of switches and other small articles, of 60,000 square feet, and the addition to the Testing Department of 13,000 square feet, all mentioned in my last report, have been completed.

The major portion of the machine shop of 117,000 square feet, mentioned in my last report, has been completed. The balance is nearing completion.

The new power house of 27,000 square feet, adding 6000 H.P. to our present equipment, has been somewhat delayed but will be completed in time to supply power for our winter load.

The occupation of our new office building has enabled us to devote about 40,000 square feet in the old office building to manufacturing purposes.

LYNN WORKS.

At Lynn, the building for the manufacture of meters, instruments and small parts, of about 55,000 square feet, mentioned in my last report, is about completed.

The increased demand for transformers, railway motors small motors and accessories, has necessitated the erection of buildings containing about 180,000 square feet, which are now nearing completion.

HARRISON WORKS.

At Harrison, additional buildings aggregating 42,000 square feet are in course of erection.

BASIS OF COST.

The method of estimating factory cost has been the same as that employed last year. The results of our inventory show that the percentages used to cover general manufacturing expenses have been sufficient for the purpose.

ENGINEERING.

Engineering work of the past year has been largely devoted to the development of established lines of apparatus. The number and variety of useful applications of electrical machinery have kept pace with the increased volume of our business. Our standard apparatus has been improved in quality and efficiency, and considerable special apparatus has been designed and manufactured to meet novel conditions.

There has been a large increase in the equipment of industrial establishments with electric motors; the advantages of the electric motor drive being more clearly recognized with the increase in the number of its applications. Our business in

such applications showed an increase of 40% during the past year. This increased use of the electric motor has been especially notable in the case of cotton mills, steel plants, cement works, oil refineries and machine works.

The distance to which electricity has been delivered has been largely increased and many new long distance plants have been installed, using pressures of from 60,000 to 80,000 volts and delivering power at distances of from 50 to 150 miles. A notable instance is that of the transmission of 6000 H.P. from the falls of the Cauvery River 90 miles to the Kolar gold fields in Mysore, India. The entire transmitting and receiving machinery of this plant, as well as the transmission line, was constructed by us. The plant was started by our engineers last year and has continued in most successful operation. We have installed other plants of larger power and greater distances, but none under such great natural difficulties. Its successful completion reflects great credit upon our engineering and manufacturing staff.

Six of the eleven 5000 H.P. generators for the new power station at Niagara Falls have been put in operation and are highly successful.

It is interesting to note that the size and voltage of generators and transformers used in connection with long distance transmission have greatly increased. We have in successful operation transformers of over 50,000 volts, and have orders for others to be used at 80,000 volts.

The design of our mining locomotives has been so highly satisfactory as to result in greatly increased business. It is interesting to note that one coal company now operates some 50 of these locomotives over 200 miles of track, mostly underground.

We have made many improvements in the apparatus for use on vessels of the navy and merchant marine, and we now have orders for the equipment of about 30 vessels.

Switchboards for the proper control and regulation of installations employing high pressures and large amounts of power have increased in importance. The apparatus, switching devices and systems designed and manufactured by us are recognized as possessing great superiority, resulting in recent orders for important switchboards in this and other countries aggregating over \$1,800,000.

Our series alternating current arc lighting system, developed during the past few years, has been remarkably successful, permitting, as it does, the operation of circuits for arc lighting from the same generator that supplies incandescent and motor service.

A large demand exists for an electric light intermediate between the arc lamp and the ordinary incandescent lamp. Our engineers have developed the "Meridian" lamp for this purpose, which, on account of its beauty and unusually effective distribution of light, promises to result in a large increase of our business.

The demand for direct current generators of large size, 2000 kilowatts and over, has fallen off. This has been due to the increasing use of alternating current in the generating station and its conversion, where needed, into direct current at sub-stations through the medium of rotary converters. This system, which has been mentioned in previous reports, has now become standard for all large undertakings in this country and is being rapidly introduced abroad. Its great economy and flexibility has undoubtedly contributed largely to the successful and extended use of electricity for all purposes. It is interesting to note that the capacity of some of these *sub-stations* is much greater than that of the *largest generating stations* that were in existence a few years ago.

Our engineers have continued to perfect and develop various small articles of our manufacture, such as arc lamps, meters, instruments, switches, controllers, incandescent lamps, motors, etc. As a result many improvements in design and a number of novel applications have been made. Important improvements have also been made in our meters, rendering them even more accurate and attractive than heretofore.

As far as possible Letters Patent have been applied for to protect the numerous new and important engineering designs and devices.

The successful, effective and original character of the work of our engineers is unequaled, and the energetic and economical work of our factory managers is worthy of the highest commendation.

Respectfully submitted,
E. W. RICE, JR.
Third Vice President.

Financial Report.

SCHENECTADY, N. Y., April 1, 1903.

C. A. Coffin, Esq., President,

General Electric Company.

SIR :

The Balance Sheet and Statement of Profit and Loss, herewith transmitted—with explanation of every item on the Balance Sheet—include the assets and liabilities and profit and loss accounts of the Edison General Electric, and Thomson-Houston Electric Companies (which for convenience of book-keeping, are consolidated with those of the General Electric Company) at January 31, 1903; and when “the Company” is spoken of, both the above-mentioned corporations are included.

Assets.

PATENTS. FRANCHISES AND GOOD-WILL.

These were carried in the last Annual Report at \$2,000,000.00		
During the year there was expended		
for acquiring sundry new patents,		
in patent expenses, patent litigation		
and royalties.....	386,875.93	
There was also expended for patents		
and patent rights, chiefly for those		
of the Sprague Company ...	1,613,879.82	2,000,755.75
Total patent account before closing the books.....		\$4,000,755.75

The bookkeeping profit of the difference between the par of \$273,000.00 Debentures, and \$223,900.00 (par) of Common Stock issued therefor, including \$10,738.45 cash to purchase the fractions connected with such issue (see page 24) was credited to patents and good-will.....			38,361.55	
Balance now written off.....	1,962,394.20	2,000,755.75		

Leaving all the patents, franchises, good-will, etc., of the Company standing on its books at the date of this report, as per Balance Sheet, at..... \$2,000,000.00

FACTORY PLANTS.

This account represents the Real Estate (lands and buildings); Machinery (steam and electric plants, tools, appliances, etc.); Patterns (including drawings, etc.); and Sundries (fittings and other small property accounts) of the manufacturing plants at Schenectady, N. Y.; Lynn, Mass.; and Harrison, N. J.

All are free from mortgage or other lien.

The Company's constantly growing business necessitates continuous large expenditures on its plants, to increase their manufacturing capacity, by acquiring more land, (sixteen acres having been purchased during the past year), enlarging old and erecting new buildings, installing new machinery and for general improvements.

On January 31, 1893, the book value of all three
factory plants was \$3,958,528.21

From that date to January 31, 1903, (over and
above all ordinary expenditures for the mainte-
nance and repair of buildings and machinery),
additions of lands, buildings, machinery, etc.,
have been made at a total cost of 10,767,677.01

Total book cost of the plants 14,726,205.22

There has been written off during the last ten
years a total of 9,726,205.22

Leaving their book value at January 31, 1903.. \$5,000,000 00

Divided as follows :

Schenectady plant, ...	\$3,464,998.90
Lynn plant, ...	1,250,000.80
Harrison plant (Lamp Factory).....	285,000 30
	<u>\$5,000,000.00</u>

A summary of the changes in this account since the last
Annual Report is as follows:

	Book Value Jan. 31, 1902.	Cost of additions during the year.	Written off at the end of the year.	Book Value Jan. 31, 1903
Real Estate and Buildings,	\$2,198,044.65	\$1,171,045.04	\$ 493,045.04	\$2,876,044 65
Machinery,	1,801,953.35	1,367,610.47	1,045,610.47	2,123,953.35
Patterns,	1.00	195,861.48	195,861.48	1.00
Sundries,*	1.00	173,807.12	173,807.12	1.00
Totals,	<u>\$4,000,000 00</u>	<u>\$2,908,324 11</u>	<u>\$1,908,324.11</u>	<u>\$5,000,000 00</u>

*Include office furniture and fixtures (of the Factories), horses and trucks, shop
fixtures, benches, steam fitting (above ground) for heating system, sprinkling system for fire
protection, electric wiring of buildings, etc., etc.

REAL ESTATE.

(OTHER THAN FACTORY PLANTS.)

This account represents the investment in the Edison Building, 44 Broad Street, New York City, and sundry parcels of land in various places, mostly improved and rented, which have been acquired at various times, chiefly in payment of debts.

All are free from mortgages and will be sold when opportunities offer.

STOCKS AND BONDS.

During the year this account has increased about three million dollars, principally due to the acquisition of the Capital Stock and Mortgage Bonds of the Sprague Electric Company and additional investments in the Preferred Stock of the British Thomson-Houston Company, Limited.

Excepting those carried at one dollar as below explained, the total par value of all stocks and bonds owned by the Company is \$17,489,363.07.

They are carried at an aggregate book value of	\$12,682,103.63
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Miscellaneous securities of many underlying, manufacturing, selling and patent owning corporations, and also of street railway and lighting companies, carried at one dollar for each lot, in all . . .	111.00
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Total book value of all stocks and bonds as per balance sheet	<u>\$12,682,214.63</u>
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We believe the present aggregate realizable value of the foregoing described securities is fully equal to the total amount at which they stand on the books.

Pursuant to the established policy of selling securities which there is no special reason for holding permanently, various stocks and bonds have been sold for cash since the last Annual Report.

Their total par value was \$3,960,278.33.

They were sold for.....\$3,680,988.74

They had been carried on the books at..... 3,707,339 00

Profit..... \$973,649.74

NOTES AND ACCOUNTS RECEIVABLE.

This account represents the total debts now due the Company.

They appear in the annexed Balance Sheet at an estimated realizable value—*i.e.* from their face, \$13,491,184.38 (which is less than the billed amount of goods shipped during the last 4 months of the year) there has been deducted an allowance of \$674,577.34 for possible losses (see page 21).

We believe this allowance to be ample under existing general conditions of business.

SALES DURING THE YEAR.

The net amount of sales billed to customers during the year was \$36,685,598.

Of some 14,500 regular customers on the accounts receivable ledgers, there were debit balances against 3,800 at the close of the fiscal year.

COLLECTIONS DURING THE YEAR.

During the year the cash collections from notes and accounts receivable exceeded \$35,600,000.

On January 31, 1902, the *face* amount of notes and accounts receivable was \$11,900,992.94, all of which have been settled during the year except \$1,153,014.39. A considerable percentage of this remaining amount of notes and accounts is made up of the obligations of lighting and railway companies owned by the General Company, and which will be liquidated as the securities of these companies are sold.

	NOTES RECEIVABLE.	ACCOUNTS RECEIVABLE.	TOTAL FACE VALUES.
Balances, Jan. 31, 1902	\$1,568,475.14	\$10,332,517.80	\$11,900,992.94
Of which there have been settled during the past year	1,076,553.73	9,671,424.82	10,747,978.55
Leaving unsettled or unmatured — orig- inating <i>prior</i> to the current year — 48 note accounts and 271 open accounts, on which there are allowed for possi- ble loss \$405,888.69 (see page 21). . . .	491,921.41	661,092.98	1,153,014.39
The unsettled and unmatured bal- ances of the cur- rent year are	1,919,453.09	10,418,571.00	12,338,024.99
Balances (<i>face values</i>) Jan. 31, 1903, ex- clusive of "Dollar" notes and accounts (see page 21)	<u>2,411,374.50</u>	<u>11,079,664.88</u>	<u>13,491,039.38</u>

"DOLLAR" NOTES AND ACCOUNTS.

In addition to the above there are notes and accounts receivable (of several years standing) of one hundred forty-five debtors, aggregating \$1,215,145.64 (*face value*), which have been written off to Profit and Loss except the nominal book value of one dollar for each debtor. They stand on the books at a total of \$145 and are being liquidated gradually. The total amount realized from this class of notes and accounts by settlements made during the past year was \$14,961.00.

ALLOWANCES FOR POSSIBLE LOSSES.

	NOTES RECEIVABLE.	ACCOUNTS RECEIVABLE.	TOTAL.
On debts existing at January 31, 1902, there was then allowed...	\$ 71,658.33	\$ 465,149.56	\$ 536,807.89
Amount of such allowance absorbed during the current year, in effecting settlements (see foot note).....	24,496.13	272,948.41	297,444.54
Balance of allowance still standing on the old debts.....	47,162.20	192,201.15	239,363.35
Above allowance is now increased.....	46,212.55	120,312.79	166,525.34
Total allowance on <i>old</i> debts.....	93,374.75	312,513.94	405,888.69
Allowance for possible losses on unsettled and unmatured balances of the <i>current</i> year.....	22,963.78	245,724.87	268,688.65
Total present allowance for possible losses—to be deducted from total face values....	116,338.53	558,238.81	674,577.34
Total face value (see page 20).....	2,411,374.50	11,079,664.88	13,491,039.38
Book value of all above	2,295,035.97	10,521,426.07	12,816,462.04
Add book value of "Dollar" Notes and Accounts.....			145.00
Total book value as per Balance Sheet . . .			12,816,607.04

In effecting these settlements, there were realized \$180,991.99 over last year's book valuations, less \$5,812.15 loss in settling some debts below their appraised value. Net gain above appraised value, \$175,179.84.

WORK IN PROGRESS.

This account does not include outlays for anything in process of manufacture at the factories, but represents expenditures for labor, material, etc., at cost, on 965 uncompleted installations of finished apparatus in progress at various places..		\$2,563,554.89
Less partial payments thereon, received under the terms of the contracts as work progressed.....		794,098.40
Balance as per Balance Sheet.....		<u>\$1,769,456.49</u>

None of the estimated profit to be derived from these installations is included in the earnings of the year.

MERCHANDISE INVENTORIES.

These accounts represent actual inventories—counted and valued item by item—of raw materials and goods manufactured and in process of manufacture at the factories; of shipments in transit to storerooms of local offices; of manufactured goods in storerooms of local offices; of materials in local repair shops; of office furniture and fixtures, machinery, tools, instruments, etc., in the general and local offices and in local repair shops; of machinery, tools and marketable mica at the Company's mica mines in Canada, and also of all goods on consignment.

AT FACTORIES.

Raw materials have been valued at the lowest price paid by the Company during the last three months of the fiscal year. The market price prevailing on January 31, 1903, was used where it was lower than the lowest price paid by the Company during the said three months. On this basis the inventories at the factories exceeded their book value. Such excess has not been taken as a profit, but has been retained as a reserve against possible increased cost of manufacturing in case of further advance in prices of raw material.

AT LOCAL OFFICES.

A considerable quantity of apparatus and supplies is carried at local offices for the convenience of customers to save time in delivery from factories and to save freight on individual shipments to customers by having them shipped in carload lots to local office storerooms.

The total of inventories of apparatus and supplies in all local offices showed a decrease from book value, which amount has been charged off to Profit and Loss.

Goods at local offices are taken in and out of inventories at the estimated factory cost prevailing at the time being. Consequently, at the close of a fiscal year, there must always be considerable change in book values of finished apparatus and supplies carried over—to adjust their inventory prices to latest estimated factory costs and to provide for losses due to returned articles, cost of repairs, breakages, boxing, reclassifying and writing down the book value of goods no longer quick-selling, etc., etc.

Active selling finished and partly finished apparatus and supplies were valued at estimated factory cost; inactive or slow selling apparatus and supplies at about 50% of estimated factory cost; and obsolete apparatus and supplies at scrap value.

OFFICE FURNITURE AND FIXTURES.

The total appraised value of all office furniture and fixtures, machinery, tools, instruments, etc., in the general and local offices and in local repair shops is \$128,243.55. All these items are carried at a total book value of one dollar.

CONSIGNMENTS.

Finished apparatus for novel uses has been delivered to various concerns subject to purchase if its operation is successful. The greater part of consignment account represents such contingent sales, and the remainder represents apparatus on exhibition or loaned to regular customers for temporary use by them.

All such shipments are charged to this account at estimated factory cost. Their total is ...	\$195,401.45
Less 50% allowance for depreciation.....	97,700.72
Net book value of consignments as per	
Balance Sheet.....	<u>\$97,700.73</u>

Liabilities.

The Company has no Note Payable, nor is there under discount any paper bearing the Company's endorsement or guaranty.

Since January, 1895, the Company has not borrowed money nor incurred obligations, except for the three and one-half per cent. Debentures issued in payment for Sprague securities referred to below; nor at any time since that date has its credit been used either by issuing notes, endorsing customers' paper for discount or lending its name in any way. By adhering to its established policy of maintaining sales on a basis of cash, or short credit to desirable customers, all purchases have been paid for in cash.

DEBENTURES.

At January 31, 1902, there were outstanding 5 %
Gold Debenture Bonds of 1892..... \$372,000

All these Debentures are on their face exchangeable for stock at the option of their holders, at the rate of \$100 of stock for \$120 of Debentures.
During the year the holders of 273 Debentures surrendered them and 2,239 shares of stock were issued therefor..... 273,000
99,000

During the year there were issued 3½ % 40 year
Gold Debenture Bonds of 1902 in part payment for interests acquired in the Patents, Obligations, Capital Stock and Bonds of the Sprague Electric Co..... 2,049,400

Total Debentures outstanding at the date of the annexed Balance Sheet..... \$2,148,400

CAPITAL STOCK.

The four shares of preferred stock referred to in last year's report as being outstanding were during the year exchanged for common stock.

At January 31st, 1902, there were outstanding
249,109 shares of the Capital Stock of the Company, par value..... \$24,910,900.00

During the past fiscal year there have been added
2,239 shares issued in exchange for debentures surrendered 223,900 00

And 167,459½ shares issued as Stock Dividend to Stockholders of record June 25, 1902, to restore the reduction of 40% made in the Capital Stock in August, 1898 16,745,933.33

Leaving Capital Stock outstanding at the date of the annexed Balance Sheet \$41,880,733 33

Capital Stock issued January 31, 1903.....	41,880,733.33
Authorized against \$99,000 Debentures outstanding.....	82,500.00
Authorized to be issued for \$1,000 Debenture purchased for cash in Nov. 1900 and for fractions purchased to January 31, 1903.....	24,900.00
Difference between amount of Capital Stock authorized to be issued in payment of Stock Dividend and amount actually issued.....	43,466.67
Total capital authorized January 31, 1903.....	<u>\$42,031,600.00</u>

ACCRUED INTEREST ON DEBENTURES.

This account, as its name implies, is the full amount of interest accrued to January 31, 1903, on both classes of the Company's Debentures then outstanding.

UNCLAIMED DIVIDENDS.

This account represents the full amount unpaid on all dividends declared and payable to January 31, 1903, inclusive—the addresses of a few stockholders being unknown.

ACCOUNTS PAYABLE.

This account includes all unpaid audited indebtedness.

At the close of business on January 31, 1903, the unpaid vouchers on hand—none of which was then due under the terms of purchase—amounted to..	\$246,841.66
Between January 31 and February 26, 1903, the date of closing the general books, additional liabilities belonging to the past year were audited, amounting to.....	1,132,118.76
Total as per Balance Sheet.....	<u>\$1,378,960.42</u>

The amount of unpaid vouchers carried over monthly,—by keeping the books, other than the cash book, open a sufficient time to include each month's obligations in that particular month,—has averaged during the year about \$1,370,000.

Respectfully submitted,

HENRY W. DARLING,
Treasurer.

EDWARD CLARK,
General Auditor.

PATTERSON, TEELE & DENNIS,
CERTIFIED PUBLIC ACCOUNTANTS,
NEW YORK, BOSTON, BALTIMORE AND
COLUMBUS, O.

30 BROAD STREET, NEW YORK, April 15, 1903.

TO THE BOARD OF DIRECTORS OF THE GENERAL ELECTRIC CO.

We have examined the account books and vouchers of the General Electric Company, the Edison General Electric Company, and the Thomson-Houston Electric Company, for the year ending January 31st, 1903, and have verified the consolidated profit and loss account and balance sheet published herewith.

The high standard of the Company's book-keeping has been fully maintained, and the same conservative treatment of the accounts, to which we have called attention in former years, has been continued.

We have examined the merchandise inventories and are satisfied that they are very carefully and safely valued.

The valuation of accounts and notes receivable appears to us to be made in the same manner as in previous years, and heretofore the actual realization of these assets has exceeded the valuation in the published accounts.

The valuation on stocks and bonds owned is, in our opinion, in the interests of an evenly balanced treatment of the Company's accounts, there being every evidence that the remaining margin of safety is ample.

The charge against the year's profits for depreciation of factory plants is over 38% of the valuation of these in the present balance sheet.

We have counted all cash and securities or examined the certificates of banks and trust companies therefor.

The same care as in former years has been used to include in the balance sheet all known liabilities of the Company.

PATTERSON, TEELE & DENNIS,
Certified Public Accountants.

E. & O. E. HENRY W. DARLING, *Treasurer*.
EDWARD CLARK, *General Auditor*.

Consolidated Profit and Loss Account of January 31, 1903.

EXPENSES.	EARNINGS.
Cost of Sales..... \$ 28,844,881 40	Sales..... \$ 36,685,598 00 Royalties and Sundry Profits..... 81,4958 66 \$37,500,556 66
Interest on Debentures..... 44,331 17	Dividends and Interest Received on Stocks and Bonds Owned... 393,961 49 Interest and Discount..... 253,882 67 647,844 16
Profit for the current year 10,232,837 99 <u>\$39,122,050 56</u>	Profit on Sales of Stocks and Bonds 973,649 74 <u>\$39,122,050 56</u>
Deduction from Patent Account for expenditures incurred chiefly in acquiring the patents of the Sprague Electric Co..... 1,613,879 82 Dividends paid in Cash..... 2,677,263 50 Stock issued in restoring percentage of reduction made in 1898..... 16,746,133 33	Surplus brought over from last year..... 15,287,140 65 Profit for the year ending January 31, 1903... 10,232,837 99
Surplus at January 31, 1903, carried forward to next year..... 4,482,701 99 <u>\$25,519,978 64</u>	<u>\$25,519,978 64</u>
E. & O. E.	HENRY W. DARLING, <i>Treasurer.</i> EDWARD CLARK, <i>General Auditor.</i>